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Melissa E. Newman

Vice President-Federal Regulatory

September 10, 2001

EX PARTE

Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
445 12th Street SW, TW-A325
Washington, DC 20554

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SEP 10 2001

**FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY**

RE: CC Docket No. 00-199¹

Dear Ms. Salas:

On Thursday, September 6, 2001, William "Bill" Johnson and the undersigned of Qwest, met separately with the following Federal Communications Commissioner's legal advisors: Matthew Brill, in Commissioner Kathleen Abernathy's office, Sam Feder in Commissioner Kevin Martin's office and Paul Margie in Commissioner Copp's office. The purpose of the sessions was to discuss Qwest position re Phase II Accounting Simplification.

In accordance with Section 1.1206(b)(2) of the Commission's rules, the original and two copies of this letter and attachment are being filed with your office for inclusion in the public record of this proceeding.

Acknowledgment and date of receipt of this submission are requested. A duplicate of this letter is included for this purpose.

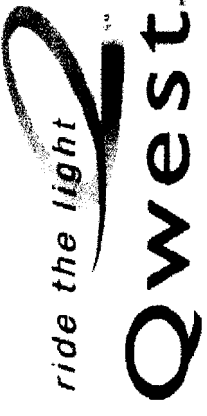
Sincerely,

Melissa E. Newman

cc: Matthew Brill
Sam Feder
Paul Margie

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¹ In the Matter of 2000 Biennial Regulatory Review -- Comprehensive Review of the Accounting Requirements and ARMIS Reporting Requirements for Incumbent Local Exchange Carriers: Phase 2 and Phase 3, Notice of Proposed Rulemaking, 15 FCC Rcd. 20568; and Public Notice, Commission Seeks Further Comment in Phase II of the Comprehensive Review of the Accounting Requirements and ARMIS Reporting Requirements for Incumbent Local Exchange Carriers, DA 01-1404, rel. June 8, 200, 2001FCC Lexis 3200.



Phase II Accounting Simplification

ORIGINAL

Accounting Change is long overdue



- Qwest applauds the Commission's efforts to simplify accounting and reporting requirements
 - Times have changed
 - Price Cap regulation fundamentally changed the Commission's regulatory rules.
 - The 1996 Telecommunications Act has forever altered the competitive landscape
 - Embedded costs are no longer essential to ratemaking.

The Commission's accounting rules have not kept pace with the Commission's other rule changes

Specialized Accounting Rules are Deceptively Costly



- Qwest's accounting records are complex and costly to maintain in order to meet SEC and GAAP accounting requirements.
- Adding specialized accounting for regulatory agencies increases the cost and complexity of our accounting systems.
- Mandating detailed accounting record requirements results in accounting systems that are expensive, inflexible and costly to change.
- With the substantially diminished importance of embedded cost and increased competition it is time to loosen the Commission's grip on accounting records.

The Commission's focus should be on reporting requirements similar to the approach used by the Securities and Exchange Commission

Staff proposal doesn't go far enough



Staff proposal continues to micromanage accounting records.

Deleting and adding accounts is costly and unnecessary -

- System changes are required
- Accounting and finance staff must be retrained
- New accounting procedures must be developed
- Engineers must be retrained

Class B accounting was developed for just this purpose.

Moving to Class B accounting results in the least cost and disruption.

Class B accounts retain the basic structure of the accounts while giving ILEC's the ability to streamline and improve their systems.

It is unrealistic to expect the FCC to anticipate all the needs of the industry and regulators

UNEs and USF models aren't solely reliant on Pt 32



Class A accounting records are not the be all, end all for cost models

Forward looking cost models are the result of extensive studies that rely on

- Data not even included in the chart of accounts
- Data that is summarized at a level higher than the Class A chart of accounts
- Data that is much more detailed than the Class A chart of accounts

TSLRIC and TELRIC cost models are established and inputs are standardized

ILEC's are required to produce forward looking cost models.

***Forward looking cost study requirements will not change simply
because accounting rules change***

Qwest Supports a Deregulatory Approach



The Industry's proposals are sound.

- New accounts are unnecessary and do not improve regulators ability to monitor the ILECs.
 - Optical switches are not deployed and may never be deployed
- States ability to obtain data from ILEC's will not be impaired

Implement industry proposal for forecasting and affiliate transactions

Focus on the needs of the FCC based on current & future regulation not regulation of 12 years ago

- Service quality
- Investment data